



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Jennifer A. Maguire

**SUBJECT: RECOMMENDED 2013-2014  
PROPOSED BUDGET NET-ZERO  
GENERAL FUND ADJUSTMENTS**

**DATE:** May 24, 2013

Approved

Date

5/24/13

## RECOMMENDATION

Approve the following amendments to the 2013-2014 Proposed Budget as follows:

- a. Increase the City-Wide Expenses Workers' Compensation Claims-Fire appropriation in the amount of \$400,000; and,
- b. Decrease the City-Wide Expenses TRANs Debt Service appropriation in the amount of \$400,000.

## BACKGROUND

Since the release of the 2013-2014 Proposed Operating Budget on May 1, 2013, additional information has become available regarding projected Tax Revenue Anticipation Notes (TRANs) Debt Service issuance costs and Workers' Compensation Claims in the Fire Department. To reflect the latest information, budget adjustments are recommended to increase the Workers' Compensation Claims-Fire appropriation and decrease the TRANs Debt Service appropriation.

## ANALYSIS

### *Workers' Compensation Claims Adjustment – Fire Department*

Each month, the Human Resources Department receives updated workers' compensation claims information. As previously reported in the Bi-Monthly Financial Reports and the Mid-Year Budget Review, 2012-2013 Fire Department claims continue to exceed budgeted levels of \$6.7 million and are projected to require a 2012-2013 Year-End Clean-Up upward adjustment of approximately \$800,000. Through April, medical costs have increased 54% (\$1.2 million) compared to the prior year. In addition, overall permanent disability claims have increased 19% (\$300,000).

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It should be noted, the 2012-2013 Modified Budget for overall claims totals \$18.265 million. Actual claims are projected to end the year at \$18.8 million. The 2013-2014 Proposed Budget had assumed overall claims would total \$19.5 million. Based on the current trend and updated information, this total is now expected to increase by \$650,000 to \$20.15 million for 2013-2014. Therefore, an adjustment to increase the Workers' Compensation Claims-Fire appropriation by \$400,000 from \$7.2 million to \$7.6 million is recommended in this memorandum. A separate recommendation to increase the Workers' Compensation Claims-Fire by an additional \$250,000 will be included as part of the forth coming Manager's Budget Addendum Recommended Amendments to the 2013-2014 Proposed Operating and Capital Budgets.

### ***TRANS Debt Service Adjustment***

The Finance Department has recently received a substantially final version of the Note Purchase Agreement with Bank of America for the 2013-2014 Tax Revenue Anticipation Notes (TRANS). The 2013-2014 Proposed Budget assumed the issuance costs for the TRANS to total \$1.032 million based on the best available information at the time regarding cash flow analysis and projected interest rate costs. These costs are now projected to decrease by \$400,000. This decrease is primarily due to the following three reasons: 1) the total amount of TRANS borrowing required decreased by \$25 million, from \$125 million to \$100 million; 2) the bank interest rate obtained was lower than anticipated (1.10% projected versus 0.70% actual); and, 3) a new negotiated repayment structure will allow the City to pay down principal throughout the fiscal year further reducing borrowing costs.

The original amount of TRAN borrowing assumed several assumptions about General Fund revenues that have improved since initial projections were made. Property Tax receipts will be higher than forecasted in 2013-2014, and permitting activity and related fees will increase due to stronger development activity.

### **COORDINATION**

This memorandum has been coordinated with the Finance, Human Resources, and Fire Departments.

/s/

JENNIFER A. MAGUIRE  
Budget Director